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PROFESSIONAL TRAINING FOR CAREERS IN BUSINESS: CHANGING CONCEPTS AND INSTITUTIONAL GROWTH SINCE 1900

By
Jack Blinksilver*

We live today in a world of specialists and nowhere more so than in the business world. Every spring on college campuses throughout the nation is re-enacted the drama of representatives of America's leading business firms aggressively competing for graduates in the fields of engineering, marketing, insurance, industrial management, and the like. Although the four-year diploma increasingly has become an essential passport for entering the turbulent seas of business activity, the possession of a degree in an applied area seems to offer the greatest prospects for a pleasant voyage and an eventual berth in a highly remunerative port. But while the personnel officers vie for specialists, top management asserts that the real need is for generalists, "liberally schooled, broad-gauged executives." This apparent dichotomy invites closer scrutiny. Perhaps a survey of the broad trends in business thinking on the subject of the training of business leaders will afford a better perspective on current concepts.

Business Thought at the Turn of the Century

The last quarter of the nineteenth century was an era of transition as the family-oriented, small-scale enterprise waged a losing battle against the giant, impersonal corporation and the independent entrepreneur saw the professionally-trained career businessman exercise a growing influence in key segments of the economy. Much emphasis was placed on technical education as the United States began to wrest industrial supremacy from England. Trade education expanded so rapidly that it merited the establishment by the National Education Association of an "Industrial Department" by 1876. Considerable progress in the domestication of commercial courses in the high school was reflected in the creation of a "Department of Business Education" by the N.E.A. in 1894. Proprietary business colleges

also flourished as their directors persuaded students that the course work would be of invaluable assistance in advancing up the ladder of success and assured businessmen that these institutions fostered the spirit of labor, served as a discipline, and cultivated a wholesome respect for law and authority.¹ The expansion of this type of education was endorsed strongly by business leaders.

Much more controversial was the education to be given to prospective executives. One strong body of opinion maintained that there was no problem; business leaders would continue to rise, as heretofore, from within the ranks. No special or more extensive training was necessary. This viewpoint was expressed in the "almost unanimous feeling" among a large number of Chicago businessmen in 1897 that a high school education was sufficient preparation for a business career.² It was believed that the four years spent in college would not only be a waste of time but might even prove "absolutely fatal to success."³ A New York businessman reflected this rather widespread conviction when he expressed his delight that his son had failed the entrance examination at City College and hence was saved from a life of "elegant leisure." "Whenever I find a rich man dying and leaving a large amount of money to found a college," he remarked bitterly,

1. S. S. Packard, "Business Education: Its place in the American Curriculum," National Education Association, *Proceedings* (1892), pp. 461-470; Education, XII (January, 1892), 305-306; J. M. Mehan, "Presidential Address," National Education Association, *Proceedings* (1895), p. 872.

2. Charles Thurber, "Is the Present High-School Course a Satisfactory Preparation for Business?" National Education Association, *Proceedings* (1897), pp. 809-811.

3. Banker Henry Clews, quoted in Mabel Newcomer, *The Big Business Executive, 1900-1950* (New York, 1955), p. 66; cf. James B. Taylor, "College Education and Business," *Educational Review*, XIX (March, 1900), 244.

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CONTENTS	Page
Professional Training for Careers in Business	1
Compensating Salesmen in the South	5
Summary of Business Activity	6, 7

"I say to myself, 'It is a pity he had not died while he was poor.'"⁴

What was particularly objectionable in the college curricula of the period was the emphasis upon the classics, a training which produced students of such an introspective attitude that they looked upon business as being dull and developed "such a pedantic turn of mind as to be an actual hindrance to the broad and liberal policy now so necessary to . . . sustain large enterprises and undertakings."⁵ Andrew Carnegie, self-made supersalesman of steel, was most articulate in voicing this point of view:

Men have sent their sons to colleges to waste their energies upon obtaining a knowledge of such languages as Greek and Latin, which are of no more practical use to them than Choctaw. . . . They have been crammed with the details of petty and insignificant skirmishes between savages. . . . They have been 'educated' as if they were destined for life upon some other planet than this. . . . What they have obtained has served to imbue them with false ideas and to give them a distaste for practical life. . . . The fire and energy have been stamped out of them. . . .⁶

The other major charge leveled against the traditional college program was its failure to instill a sense of discipline, to impress upon the student the significance of completing the task at hand. Robert S. Bradley, chairman of the board of American Agricultural Chemical and a graduate of Harvard University, complained: "The trouble with Harvard . . . is that a man is not taught to do anything thoroughly. He is taught to 'get by' on his exams and then to forget. When he starts in business . . . he has no value and it is difficult to teach him work and thoroughness."⁷ Those who strongly criticized the antiquarian subject matter and lack of discipline in college education quite naturally placed a high premium upon the ambitious young man who, by beginning his business career early, "retained his natural sharpness and originality."⁸

Taking an opposite viewpoint were many educators and some businessmen who continued to maintain that the older, classical education would prove to be the most useful training for business leaders. They agreed with Harvard president Charles W. Eliot that, while the commercial schools would serve the needs of boys with "less exalted talents," for the more gifted a college education of the traditional type and travel abroad would provide the best training, especially so because commerce and industry in "their higher ranges" were "eminently intellectual pursuits."⁹ It was strongly contended that to conduct successfully a mercantile or manufacturing enterprise during the late nineteenth century required "a far greater discipline of mind, a more liberal culture, a more generous scholarship

than were necessary a generation ago."¹⁰ Leading businessmen who themselves were the recipients of an education far in advance of that afforded the average male citizen¹¹ might well be prone to concede the validity of this point of view. Other business leaders were dubious of the efficacy of an overly practical education for executives. Charles E. Perkins, able and articulate president of the Chicago, Burlington and Quincy Railroad, asserted that "You might teach hotel keeping at Cambridge, but you can't teach railroading; because it involves too much. You can teach branches of it . . . engineering and drawing, for example. But the commercial part of it . . . that you cannot teach at school."¹²

Those who saw advantages in maintaining the core of the traditional college program tried to win recruits to their cause by noting the new spirit infusing college instruction as administrators were being recruited increasingly from the ranks of practical men of affairs. They also pointed to the greater amount of time now being devoted to science and mathematics and to the increased emphasis upon turning out the doer rather than the thinker. But these concessions were hardly enough for a large body of businessmen. It was still general education, an education which, in the words

10. William A. Mowry, "The School Curriculum and Its Relation to Business Life," *Education*, II (November, 1881), 140-149.

11. See Frances W. Gregory and Irene D. Neu, "The American Industrial Elite in the 1870's" and William Miller, ed., *Men in Business* (Cambridge, 1952), pp. 193-211, 286-305.

12. Quoted in Kirkland, *op. cit.*, p. 96.

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4. Edward C. Kirkland, *Dream and Thought in the Business Community, 1860-1900* (Ithaca, N. Y., 1936), p. 161.

5. Thurber, "Is the Present High-School Course a Satisfactory Preparation for Business?" *op. cit.*, p. 809.

6. Quoted in Kirkland, *op. cit.*, p. 66.

7. Quoted in Newcomer, *op. cit.*, p. 66.

8. Taylor, "College Education and Business," *op. cit.*, p. 245.

9. Charles W. Eliot, "Commercial Education," *Educational Review*, XVIII (December, 1899), 417-424.

of Andrew Carnegie, was designed for "a life of idleness and not a life of usefulness."¹³

The Development of the Collegiate School of Business

Finding most college administrators adamant in their preference for training students in the liberal arts and humanities, business leaders turned to the possibility of creating new institutions where a practical, realistic education for careers in business might be secured. Nor was this desire alien to major traditions in American higher education. Since the establishment of Harvard College in 1636, principally for the training of ministers for Massachusetts Bay, college education has been to a considerable extent directed toward vocationalism. Looked at in this light, business "was one of the last areas of life to be made the object of specialized" professional training."¹⁴

This preparation for a career in business was designed principally for the young man of good stock and native ability who seemed to flitter aimlessly with no strong goal in life. Leland Stanford, planning to establish a university to perpetuate the memory of his son, had these boys primarily in mind: "They are generally prepossessing in appearance and of good stock," he reported, "but when they seek employment, and I ask them what they can do, all they can say is 'anything.' They have no definite technical knowledge of anything. They have no specific aim, no definite purpose."¹⁵ Perhaps Robert E. Lee also had this type of person in mind when, in making his annual report to the trustees of Washington and Lee University in 1869, he advocated the creation of a collegiate school of business which would be designed "not merely to give instruction in bookkeeping and the forms and details of business but to teach the principles of commerce, economy, trade and mercantile law."¹⁶

But it was Joseph Wharton who first supplied the money to make possible the establishment of a school of commerce which was affiliated with a major university and was dedicated to professional training for business leadership. This wealthy Philadelphia merchant gave one hundred thousand dollars to the University of Pennsylvania for the creation of a school of Finance and Economy designed to turn out "educated young men with a taste for business." By 1883 a professional staff was gathered and began to formulate a "university curriculum which it would be worth the while of a future business man to complete before he took up the actual work in the counting-house, bank, insurance, office, the railway office, and so forth, in the same sense in which it would be worth the while of the physician to take the medical course or the lawyer to take the legal course."¹⁷ Of the

five professorships, only two—those of accounting and mercantile law—were essentially vocational, and the curriculum of the school embraced courses in history, government, the relations between church and state, and philosophy.¹⁸

Once the Wharton School was established the movement for professional training of business leaders abated until the turn of the century, when the University of California and the University of Chicago set up schools of commerce in 1898. Then the momentum picked up. A quartet of institutions followed suit in 1900, and during the next fifteen years seventeen more business schools were established, making the total twenty-four by 1915. During the next decade a veritable craze for business education swept the land, so that by 1925 at least 183 American colleges could boast of a school, department, or division of commerce or business administration.¹⁹

The great expansion of the business school after the turn of the century reflected the triumph of the giant corporation with its separation of ownership and control, the growing influence of the scientific management movement, and an increased need for accountants following the adoption of the income tax amendment to the Constitution in 1913. Furthermore, the Horatio Alger legend of the poor and ill-educated youth who, through honesty and pluck, was able to race up the ladder of success was increasingly seen to be more myth than reality.²⁰ Youth came more and more to realize that it was formal education which paved "the royal road to positions of power and prestige in American business and industry."²¹

Business Thought and Education Trends in the 1920's

Although the first business schools were imbued with the desire to afford a professional training for business, in the tremendous proliferation of schools after 1915 there developed, almost inevitably perhaps, a trend toward the narrowly vocational—a bowing to pressures exerted by business groups and the students themselves for specialization. Consequently, by 1920 "most of the centers of business training were simply schools of commerce, offering narrowly technical trade skills, with a heavy emphasis upon accounting."²² The parochialism which infused much of this education is reflected in the reply of a midwestern business school to a suggestion of Dean Wallace Donham of the Harvard Business School that it offer a course on the problems of trade unions. "We don't want our students to pay attention to anything that might raise questions about management or business policy in their mind," was the answer he received.²³

18. Kirkland, *op. cit.*, pp. 97-98; Hofstadter and Hardy, *op. cit.*, p. 39.

19. Marshall, *ed.*, *op. cit.*, pp. 3-4.

20. Irvin G. Wylie, *The Self-Made Man in America; the Myth of Rags to Riches* (New Brunswick, N. J., 1954), *passim*.

21. W. Lloyd Warner and James C. Abegglen, *Big Business Leaders in America* (New York, 1955), p. 57.

22. Hofstadter and Hardy, *op. cit.*, p. 92.

23. *Ibid.*

13. *Ibid.*, p. 86.

14. Richard Hofstadter and C. DeWitt Hardy, *The Development and Scope of Higher Education in the United States* (New York, 1952), p. 88.

15. Quoted in Kirkland, *op. cit.*, p. 93.

16. Louis C. Marshall, *ed.*, *The Collegiate School of Business* (Chicago, 1928), pp. 3-4.

17. *Ibid.*, p. 55; Kirkland, *op. cit.*, p. 96.

By the 1920's, however, a countermovement was beginning to gain headway as the proponents of a broader, if not necessarily more liberal, education became more vocal in their insistence that the curriculum of the business school be expanded to include a more varied fare. Actually, a clear-cut pattern was slow in emerging. At some institutions the social science, human relations courses continued to be neglected; in others, especially those where a liberal arts faculty dominated the business school, it was the more technical, professional courses which were de-emphasized. Generally, however, the business schools throughout the 1920's tended to minimize the fields of labor, public finance, industrial psychology, human relations, business policy, public utilities, advertising, office appliances, and social control.²⁴

By the 1920's one previously hotly debated question was resolved. Only a small minority of businessmen continued to deny the advantage of a college education. Still disputed, though, was the type of higher education best suited for a career in business. The majority undoubtedly favored a narrowly specialized training, but a few of the more far-sighted saw the absolute necessity for business leaders to possess a broad, liberal education. Acting as principal spokesman for this group was Owen D. Young, chairman of General Electric Company, who argued: "In no other profession, not excepting the ministry and the law, is the need for wide information, broad sympathies, and directed imagination so great."²⁵ A recognition of this, he insisted, must lead inevitably to an appreciation of economic principles and an understanding of basic fundamentals. Addressing the Stanford Conference on Business Education in 1927, Young asserted that "the best service which education for business can perform . . . is training in the broad principles of good business management. In this way you will come to turn out not accountants, traffic men, or other sorts of specialists, but attractive candidates for junior executive positions—men who should have the ability to advance rapidly in general responsibility."²⁶ This conviction was affirmed by many young businessmen, recent graduates of the business school. A survey of a considerable group of the alumni of the Wharton School disclosed their belief that the curriculum should consist of a core of cultural and business subjects required of all students, with a quite limited emphasis upon applied subjects in the specialized areas.²⁷

Trends Since the '20's

The trend since the 1920's has been toward more extensive higher education for those embarking upon careers in business. Studies have disclosed that 32 per cent of the top business leaders in the nation were college graduates in 1928, as compared

with 57 per cent by 1952. In addition, another 20 per cent have some college training today as contrasted with 10 per cent in the late '20's.²⁸

Equally significant has been the assumption by the business school of a principal role in the training of business leaders. In 1911 only 1.4 per cent of all college students chose business as their major, but by 1953, 14.4 per cent were enrolled in schools of business or commerce, and they outnumbered all other college majors with the exception of education majors. By the mid-1950's there were more than 200,000 students enrolled in the over 170 degree-granting business schools in the country. The number had been increasing steadily since the 1920's and more than doubled between 1940 and 1950. In the 1954-1955 graduating group, 19.4 per cent of the 183,602 male graduates received their degrees in business or commerce.²⁹

During this period there has been a continuing pressure on the part of some businessmen and many students and their parents for a practical, vocational business education. When Elmo Roper surveyed a wide cross section of the American public in 1940 to determine attitudes on education, he discovered that 38 per cent wanted their children to devote 75 per cent or more of their time to specialized, vocational study.³⁰ Certainly the great bulk of post World War veterans who flocked into the business schools after 1946 were little interested in a broad, general education. But in the face of this pressure, educators and business leaders have been increasingly vocal in pointing out the dangers of narrow specialization. Educators insist that in many instances students are not at all certain as to their goals and often enter businesses other than those for which they were trained. Robert D. Calkins, former dean of the business schools at the University of California and Columbia, asserted quite frankly: "To force the undergraduate student to specialize before he knows what he wants to do, and when he can have no idea in fact of what he will do later in life, is to sell the poor boy down the river."³¹

Dean Richard Donham of Northwestern University recently indicated his belief in business training "for long-run responsibility as well as for immediate usefulness."³² Stanley F. Teele, Dean of the Harvard Graduate School of Business, impressed with the increasingly complex and broadly ramifying relationships and enlarged responsibilities to be assumed by the coming generation of business leaders, has strongly advocated broad, liberal training.³³ And Dr. Calkins, noting that the persistent problems of moderating the business cycle,

(Continued on page 11)

28. Warner and Abegglen, *op. cit.*, p. 47.

29. William H. Whyte, *The Organization Man* (New York, 1956), pp. 80-84; Duncan Norton-Taylor, "The Business Schools: Pass or Flunk?" *Fortune*, XLIX (June, 1954), 112 ff.

30. Whyte, *op. cit.*, p. 96.

31. Quoted in Norton-Taylor, "The Business Schools: Pass or Flunk?" *op. cit.*, p. 113.

32. Northwestern University, *Alumni Bulletin* (c. winter, 1956).

33. Quoted in Weldon J. Taylor, "Are Business Schools Meeting the Challenge?" *Collegiate News and Views*, X (October, 1956), 2.

24. Marshall, *ed.*, *op. cit.*, pp. 22-40.

25. James H. S. Bossard and J. Frederick Dewhurst, *University Education for Business* (Philadelphia, 1931), p. 8.

26. *Ibid.*, p. 109.

27. *Ibid.*, pp. 223-243.

COMPENSATING SALESMEN IN THE SOUTH

By
C. W. Ehlers*

The problems of paying outside salesmen of industrial companies are important, difficult, and perennial. They are important not only because they involve the expenditure of more than ten billions of dollars per year,¹ but mainly because, directly and indirectly, they affect the work of the salesmen whose efforts energize our economy. The problems are difficult because they are concerned not only with human behavior of salesmen as individuals, but also with the peculiar nature of the salesmen's task of influencing the behavior of other persons toward buying action. The problems are perennial—appearing in good times as well as bad. As a result, constant change and manipulation of compensation arrangements take place in the endeavor to solve the problems of combining desired security, on the one hand, with needed incentive, on the other.

THE NATIONAL COMPENSATION PATTERN

A full evaluation of salesmen's compensation in the South includes a comparison of southern patterns with those prevailing nationally. As for the national compensation pattern, 550 questionnaires were received in 1955 by the Dartnell Corporation from companies located throughout the nation which employ outside salesmen.² Data concerning levels and methods of compensation at the national level, as revealed by an analysis of these questionnaires, are shown in Tables I-III. The levels of earnings for junior and experienced salesmen are summarized in Table I. Table II shows the methods of compensation used by the 550 companies, and Table III gives a detailed breakdown of the types of companies using these various plans of compensation.

Table I
SALESMEN'S EARNINGS BASED ON RANGES AND
MEDIAN AS REPORTED BY 550 NATIONAL
COMPANIES—1955

	Range of the Majority	Median
Experienced salesmen		
Lowest paid bracket	\$4,800 to \$7,800	\$ 6,200
Highest paid bracket	8,500 to 16,500	11,800
Junior salesmen		
Lowest paid bracket	\$4,100 to \$5,900	\$ 4,800
Highest paid bracket	4,900 to 7,500	6,000

Source: Compensating Salesmen (Dartnell File S-6), 1955.

Trend Toward Salary-Incentive Pay Plans

The national study found that 80 per cent of all pay plans contained the salary element, 73 per cent included commissions in some form of incentive pay,

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1. Salesmen's Compensation (Division of Research, Harvard University, Graduate School of Business Administration, Vol. 1, 1954), Abstract.

2. Compensating Salesmen, Dartnell File: S-6, Nov. 1955, p. 2.

and 63 per cent mentioned salary-commission or salary-bonus combinations.

Table II
PERCENTAGE OF NATIONAL COMPANIES USING
VARIOUS COMPENSATION PLANS—1955

Type of Plan	Percentage*
Salary and commission	33.2%
Salary and bonus	23.9
Commission	17.7
Salary	15.3
Commission and drawing account	11.1
Commission, bonus, and salary	7.8
Commission and bonus	3.1
All other plans	2.2

*Total of column exceeds 100 since some companies used more than one pay plan.

Source: Compensating Salesmen (Dartnell File S-6), 1955.

An earlier similar study was conducted in 1952 by the Dartnell Corporation. The number of companies paying commissions alone, or commissions against drawing accounts, had dropped from 36.5 per cent in 1952 to 28.8 per cent in 1955. Salary or salary-bonus plans were slowly losing ground as well—falling from 48.5 per cent in 1952 to 46 per cent in 1955. The slack was taken up by combination salary and commission arrangements. In 1952 the number of companies using such plans was 20.5 per cent of the total; the 1955 figure rose to 33.2 per cent. This study thus reveals a national trend toward the use of combination salary-incentive methods of paying salesmen.

Fringe Benefits

As for fringe benefits paid to salesmen, the 1955 national survey indicated that 78 per cent of the reporting companies granted vacations, 75 per cent had hospitalization plans, 70 per cent had extended life insurance programs, 65 per cent offered sickness and accident insurance, 48 per cent provided for pensions, and only 4 per cent of the firms allowed salesmen the personal use of company-owned automobiles. (See later Table XIV.)

Table III
PERCENTAGE OF TYPES OF NATIONAL COMPANIES
USING VARIOUS COMPENSATION PLANS—1955

Type of Plan	Types of Companies		
	Mfg.*	Mfg. & Distributing*	Wholesale, Retail & Service*
Salary and commission	36.1	32.6	27.2
Salary and bonus	26.0	20.6	20.2
Commission	18.7	13.8	19.0
Salary	13.5	19.2	16.7
Comm. and drawing acct.	10.3	7.2	16.7
Comm., bonus, and salary	7.0	9.3	7.2
Commission and bonus	1.5	7.2	3.1
All other plans	2.2	2.1	2.1

*Totals of columns exceed 100 since some companies used more than one pay plan.

Source: Compensating Salesmen (Dartnell File S-6), 1955.

(Continued on page 8)

SEPTEMBER 1957

ATLANTA AREA ECONOMIC INDICATORS

ITEM	September 1957	August 1957	% Change	September 1956	% Change	% Change nine months '57 over nine months '56
EMPLOYMENT						
Job Insurance (Unemployment)						
Payments -----	\$368,831	\$374,128	-1.4	\$263,888	+39.8	+51.2
Job Insurance Claimants†	4,974	5,056	-1.6	3,566	+39.5	+35.7*
Total Non-Ag. Employment -----	346,200	345,300r	+0.3	343,200r	+0.5	+1.4*
Manufacturing Employment -----	87,350	87,950r	-0.7	89,350r	-2.2	+0.1*
Average Weekly Earnings, Factory Workers -----	\$74.66	\$74.03r	+0.9	\$71.73	+4.1	+5.5*
Average Weekly Hours, Factory Workers -----	39.5	39.8	-0.8	40.3	-2.0	-1.0*
Number Help Wanted Ads -----	10,220	9,748	+4.8	11,483	-11.0	-6.8
CONSTRUCTION						
Number of Building Permits§ -----	601	682	-11.9	663	-9.4	-20.3
Value Building Permits§ -----	\$5,068,190	\$5,717,577	-11.4	\$3,497,467	+45.0	+1.3
Employees -----	21,000	21,950	-4.3	19,750r	+6.3	-2.1*
FINANCIAL★						
Bank Debits (Millions) -----	\$1,599.6	\$1,646.6	-2.9	\$1,429.8	+11.9	+11.9
Bank Deposits (Millions) (Last Wednesday) -----	\$1,116.1	\$1,109.4	+0.6	\$1,091.3	+2.3	+2.8**
POSTAL§						
Postal Receipts -----	\$1,409,979	\$1,380,535	+2.1	\$1,332,833	+5.8	-2.5
Poundage 2nd Class Mail -----	1,403,735	1,332,901	+5.3	1,309,887	+7.2	+2.5
OTHER						
Department Store Sales Index (Adjusted, 1947-49=100) -----	160	159	+0.6	162	-1.2	+3.0††
Retail Food Price Index (1947-49=100) -----	115.4	115.8	-0.3	111.9	+3.1	+3.1**
Consumer Price Index (1947-49=100) -----	122.2	121.2	+0.8	118.9	+2.8	+2.8
Number of Telephones in Service -----	297,749	300,186	-0.8	283,513	+5.0	+5.0**

r—Revised

*Average month

**End of period

†—Based on retail dollar amounts

§City of Atlanta only.

N. A.—Not Available

★—Data from members of the Federal Reserve System only

†Claimants include both the unemployed and those with job attachments, but working short hours.

Sources: All data on employment, unemployment, hours, and earnings: Employment Security Agency, Georgia Department of Labor; Number Help Wanted Ads: Atlanta Newspapers, Inc.; Building permits data: Office of the Building Inspector, Atlanta, Georgia; Financial data: Board of Governors, Federal Reserve System; Postal data: Atlanta Post Office; Retail Food Price Index: U. S. Department of Labor; Department Store Sales Index: Federal Reserve Bank of Atlanta and Board of Governors, Federal Reserve System; Telephones in Service: Southern Bell Telephone and Telegraph Company.



BUSINESS ACTIVITY

The Atlanta economy in the third quarter of 1957 still appeared to be trying to go in two different directions. Some segments seemed likely to end the year at record highs, while others were definitely depressed. Undeniably, however, the overall record will be good for the year, just as it has been for the third quarter.

The **Department Store Sales Index**, which uses the 1947-49 average for its base, reached 160 for the month of September. The third quarter of 1957 found the index recording the three highest consecutive months on record. Much of the increase is the effect of rising prices, but the physical volume of sales has undoubtedly risen also.

Average weekly earnings of factory workers has risen 4.1 per cent over September 1956, bringing the workers' average weekly pay check to \$74.66, but **average weekly hours** have fallen from 49.3 in September 1956 to 39.5 in September 1957. Employment in general has held quite steady during the first three quarters of 1957, changing but little from the averages for the same period in 1956. Total **nonagricultural employment** in the Atlanta area in September 1957 was 346,200, up one half of one per cent over September a year ago. **Manufacturing employment** was 2.2 per cent less in September 1957 than in the same month last year.

Atlanta's total civilian labor force has risen from 399,300 in September 1956 to 404,050 in September 1957, an increase of 1.2 per cent. Over the same period unemployment has risen 17.3 per cent, from 10,100 in September 1956 to 11,850 in September 1957. At the earlier date unemployment was 2.5 per cent of the labor force and in September of 1957 it was 2.9 per cent.

After *seasonal adjustment* the **number of help wanted ads** appearing in Atlanta newspapers remained at about the same level as in July, but was down 11 per cent from September of last year. The general movement of the series has been downward

since December of last year and is considered indicative of an easing in the demand for labor.

The U. S. Labor Department's **Consumer Price Index** for Atlanta continued to inch upward as the September level was announced as 122.2 per cent of the 1947-49 level. This is 2.8 per cent above the September 1956 figure and is the sixth consecutive quarter in which some increase was observed. Food prices rose 1.5 per cent during the quarter and are currently 3.1 per cent above year ago levels. For the month of September, however, food prices moved downward 0.3 per cent as the **index of retail food prices** dropped from 115.8 in August to 115.4 in September.

Home construction appears to be the segment of the economy which has suffered the greatest decline in activity during the year. This is reflected in a comparison of the first three quarters of 1957 with the same period in 1956, wherein we see that the **number of building permits** has declined 20.3 per cent. (For the same period the value of these permits is up 1.3 per cent.) A closer look discloses the fact that the hardest hit is still the one family dwelling unit. Permits for this type building have been issued much less frequently during this year than last. The number of building permits for one family dwelling units was 24.1 per cent less during the first three quarters of 1957 than during the same period in 1956, and during the third quarter of 1957 the number issued was 31.3 per cent less than during the same quarter of 1956.

Bank debits to demand deposit accounts at banks which are members of the Federal Reserve System were down 2.9 per cent from the August 1957 level, but up 11.9 per cent from the level of September 1956. **Deposits** were up 2.3 per cent over the September 1956 figure and total loans made in September by member banks in the area were up 7.7 per cent.

COMPENSATING SALESMEN

(Continued from page 5)

Level of Earnings—1957

A further indication of the level of salesmen's compensation was revealed through another study made in January 1957 by the Dartnell Corporation of 200 well-known national business and industrial concerns which recruit college graduates.³ The average starting salaries for college men going into various fields of employment as reported by these companies are found in Table IV.

Table IV

AVERAGE STARTING MONTHLY SALARIES FOR COLLEGE MEN (NATIONAL FIRMS)—1957

Field	Average Salary
Engineering	\$415
Accounting	372
Sales	370
General Business	363

Source: *Hiring Salesmen* (Dartnell File S-1), 1957.

These firms were next asked to estimate the average monthly earnings of college men hired from previous graduating classes who started in the fields indicated. A tabulation of responses is shown in Table V.

Table V

AVERAGE EARNINGS OF COLLEGE MEN FROM PREVIOUS GRADUATING CLASSES (NATIONAL FIRMS)—1957

Field Experience	Average Salary
Engineering	
3 years	\$527
5 years	592
7 years	650
10 years	740
Accounting	
3 years	\$491
5 years	549
7 years	630
10 years	778
Sales	
3 years	\$498
5 years	599
7 years	700
10 years	826
General business	
3 years	\$478
5 years	556
7 years	640
10 years	768

Source: *Hiring Salesmen* (Dartnell File S-1), 1957.

THE SOUTHERN COMPENSATION PATTERN

An indication of the compensation pattern in the South was secured from case studies made of 70 companies with southern headquarters or district offices located in Atlanta, Georgia. These companies employ outside salesmen and operate in one or more or all of the southern states of Georgia, Florida, Alabama, Mississippi, Tennessee, Kentucky, Louisiana, South Carolina, and North Carolina. The 70 firms covered in the survey represented 31 different industries and employ 1,691 salesmen, or an average of over 24 salesmen per firm.

Levels of Compensation

The sales managers of the southern headquarters of these firms in Atlanta were interviewed to determine, among other things, the levels of com-

3. *Hiring Salesmen* (Dartnell File S-1), 1957.

pensation paid to beginning and experienced outside salesmen.

... For Beginning Salesmen

The average or median pay for beginning salesmen was found to be \$361.42 (see Table VI), which compares very favorably with the national average of \$370 for college graduates going into sales work.

Table VI
MONTHLY COMPENSATION PAID TO BEGINNING* SALESMEN BY 70 SELECTED SOUTHERN FIRMS—1957

Compensation Level	Number of Firms	Per Cent of Total
\$250	1	1.4
275	2	2.8
300	5	7.2
325	13	18.6
350	17	24.3
375	12	17.1
400	11	15.7
425	5	7.2
450	4	5.7

Total 70 100.0%

*A "beginning salesman" is a trainee or a person with little or no previous selling experience, such as the average college student or graduate.

Although the distributive and the manufacturer-distributor types of companies paid beginning salesmen the highest average compensation, the range between the lowest and highest average monthly pay to beginning salesmen by type of company was less than \$40 (Table VII).

Table VII

AVERAGE MONTHLY COMPENSATION PAID TO BEGINNING SALESMEN BY TYPE OF COMPANY FOR 70 SELECTED SOUTHERN FIRMS—1957

Type of Company*	Median Compensation
Manufacturer-distributor	\$375.00
Distributive	375.00
Business specialty	352.50
Service	341.67
Wholesale & retail	336.36

*Type of company: "Manufacturer-distributor" is a firm which manufactures the product it sells; "distributive" is a company which distributes products made by other concerns; "business-specialty" is an organization that sells business machines and/or forms and supplies; "service" is a company which sells services; and "wholesale & retail" is a classification consisting of both wholesale and retail establishments.

... For Junior and Experienced Salesmen

The ranges and medians of junior and experienced salesmen's earnings of the southern companies (Table VIII) compare very favorably with the national pattern (Table I).

Table VIII
SALESMEN'S EARNINGS BASED ON RANGES AND MEDIANS AS REPORTED BY 70 SELECTED SOUTHERN COMPANIES — 1957

	Range of the Majority	Median
Experienced salesmen		
Lowest paid bracket	\$4,800 to \$7,800	\$ 6,150
Highest paid bracket	8,400 to 18,000	12,000
Junior salesmen		
Lowest paid bracket	\$4,200 to \$5,800	\$ 4,800
Highest paid bracket	4,800 to 7,400	5,800

... For Experienced Salesmen

Average or median compensation levels for experienced salesmen who have been selling with their companies for the past three, five, seven, and ten years are found in Table IX. The average monthly compensation paid by selected southern firms to experienced salesmen was found to be larger than

the national average paid to college graduates (Table V).

Table IX
AVERAGE MONTHLY COMPENSATION PAID TO
EXPERIENCED SALESMEN
OF 70 SELECTED SOUTHERN COMPANIES—1957

Experience	Median Compensation
3 years	\$538.12
5 years	666.01
7 years	780.26
10 years	875.39

... By Size of Firm

An analysis of the 70 questionnaires, when divided into large and small concerns,⁴ disclosed that the average or median monthly pay to **beginning** salesmen by small firms was \$330.88, whereas the larger companies paid their new salesmen an average monthly compensation of \$367.45.

The average compensation paid to **experienced** salesmen of the 70 selected southern firms by small and large companies is revealed in Table X, which shows that wide differences in monthly compensation exist between small and large concerns. This difference in monthly pay probably can be explained in large part by the difference in methods of compensation utilized by most large and small companies. This topic will be covered in the next major section.

Table X
AVERAGE MONTHLY COMPENSATION PAID TO
EXPERIENCED SALESMEN OF 70 SELECTED SOUTHERN FIRMS BY SMALL AND LARGE COMPANIES—1957

Size of Company	Number of Years with Firm			
	3	5	7	10
Small	\$450.00	\$526.47	\$585.29	\$685.28
Large	558.27	699.04	830.92	981.77

... By Type of Firm

Table XI shows the average or median compensation level paid to experienced southern salesmen by type of firm. Wide variations were found to exist in compensation paid to salesmen according to type of company. For example, the difference in average monthly pay between business specialty and wholesale-retail concerns was over \$200 for salesmen with three years experience, and over \$475 for salesmen with ten years experience. Again, it would seem that these differences in monthly pay are explained largely by the different methods of compensation used by the majority of the various types of companies.

Table XI
AVERAGE MONTHLY COMPENSATION PAID TO
EXPERIENCED SALESMEN OF 70 SELECTED SOUTHERN COMPANIES BY TYPE OF FIRM — 1957

No. yrs. Experience	Manu- facturer- Distributor	Whole- sale- Retail	Business		
			Specialty	Distributive	Service
3	\$537.50	\$420.00	\$628.57	\$450.00	\$561.54
5	643.75	500.00	707.14	510.00	696.15
7	764.58	560.00	900.00	610.00	796.15
10	914.58	630.00	1,106.20	730.00	965.38

Methods of Compensation

Of southern firms studied, 93 per cent of all pay plans for **beginning** salesmen contained the salary

4. For purposes of this study a "small" company is one employing less than ten salesmen, and a "large" concern is one employing ten or more salesmen.

element, 34 per cent included commissions in some form of incentive pay, and 40 per cent mentioned salary-commission or salary-bonus combinations. The study also revealed that 82 per cent of all pay plans for **experienced** salesmen contained the salary element, 50 per cent included commission in some form of incentive pay, 58 per cent mentioned salary-commission or salary-bonus combinations, and 34 per cent were a combination salary and commission arrangement.

Methods of compensation which contain some form of incentive allow the salesmen to determine, to a great extent, the amount of his monthly income, while the salary method of compensation pays a fixed monthly amount. Most small firms and most types of companies which give the lowest monthly compensation use the salary method. Most concerns which pay the highest monthly income utilize methods of compensation containing an incentive for salesmen.

... By Type of Firm

The majority of the manufacturer-distributor and business specialty firms use plans which include commissions in some form of incentive pay; whereas the service, distributive, and wholesale-retail establishments largely use pay plans containing the salary element. A summary of the various methods of compensation for experienced salesmen used by various types of firms in the South is found in Table XII.

Table XII
PERCENTAGE OF TYPES OF SELECTED SOUTHERN COMPANIES USING VARIOUS COMPENSATION PLANS FOR EXPERIENCED SALESMEN—1957

Type of Plan	Manufacturer-Distributor	Service	Distributive	Business Specialty	Wholesale-Retail
Salary	14.8	43.8	80.0	10.0	36.4
Salary plus commission on all sales	22.2	6.3		30.0	9.1
Salary plus commission on sales above quota	26.0			20.0	18.0
Salary and bonus	29.6	12.5	20.0	10.0	9.1
Commission	3.7	37.5			18.0
Commission with drawing account				10.0	9.1
Salary plus bonus plus commission	3.7			20.0	

... By Size of Firm

A further analysis of southern compensation plans indicates that 53 per cent of the small firms use straight salary to compensate their experienced salesmen, while less than 21 per cent of the large firms use straight salary. Combination salary and commission plans were used by 40 per cent of the large firms, and only 23 per cent of the small concerns use these plans. Nearly 30 per cent of the small companies use a salary plus some form of incentive plan; however, over 64 per cent of the large firms use such plans.

Comparison Between National and Southern Methods

Southern firms compare favorably with the national pattern on the use of salary and of commission plans. However, a much lower per cent of the southern firms use commission plans or salary-commission or salary-bonus combinations.

Fringe Benefits

Table XIII summarizes the fringe benefits given to salesmen by the 70 selected southern companies. Twelve different fringe benefits were given by two-thirds or more of the firms.

Types of Benefits	Number of Firms	Per Cent of Firms
Hospitalization insurance	69	98.6%
Federal old-age and survivors insurance	68	97.1
Medical-surgical insurance	67	95.7
Group-life insurance	66	94.3
Vacation	64	91.4
Retirement plan	62	88.6
Workmen's compensation and disability insurance	60	85.7
Group accident and health insurance	60	85.7
Travel & living expenses while in process of moving	59	84.3
Unemployment insurance	54	77.1
Sick leave	47	67.1
Death benefits to widows & survivors (co. plan)	46	65.7
Loan plan (or credit union)	29	41.4
Use of company cars for personal purposes	28	40.0
Stock purchases or savings and investment plan	27	38.5
Profit-sharing bonuses	20	28.5
Educational programs through colleges	17	24.3

Types of Benefits Given

A cross-tabulation of fringe benefits provided by different types of companies in the South revealed that about the same percentage of firms in each type offered selected fringe benefits. A few exceptions were noted. For example, service and wholesale-retail companies offered nearly all of the types of fringe benefits; however, only 30 per cent of the wholesale-retail establishments gave sick leave to their outside salesmen, and less than 14 per cent of the service firms allowed salesmen personal use of company-owned automobiles. Less than 40 per cent of the 70 southern firms had stock purchases or savings and investment plans; however, over 83 per cent of the distributive companies offered such plans. A little over 40 per cent of all the southern concerns had a loan plan or credit union, whereas all of the distributive firms had such a plan for their salesmen.

Are Fringe Benefits Adequate?

The sales managers of the 70 southern firms were asked if they thought their present fringe benefit program for salesmen was adequate, and all but three answered affirmatively. One sales manager had no opinion, and the two managers who answered

"no" to this question indicated that their firms are now planning to offer additional fringe benefits to salesmen in the near future.

The last question was: "If your salesmen had a choice of receiving added compensation or additional fringe benefits, which do you think they would prefer?" Only one manager felt that his salesmen would prefer additional fringe benefits, ten managers stated that they did not know which the salesmen would prefer, and 59 sales managers indicated that they believed their salesmen would prefer added compensation.

National vs. Southern Pattern

A comparison of fringe benefits offered by national and southern firms is shown in Table XIV, which reveals that a much larger per cent of southern firms as opposed to national concerns offer salesmen selected fringe benefits.

Fringe Benefits	National Firms (1955)	Southern Firms (1957)
Vacations with pay	78%	91.4%
Hospitalization plans	75	98.6
Group life insurance	70	94.3
Sickness and accident insurance	65	85.7
Pensions	48	88.6
Personal use of company-owned cars	4	40.0

SUMMARY

A summary of the findings of the survey of 70 southern companies is as follows:

1. The average or median pay for both beginning and experienced salesmen of the southern concerns compares very favorably with the national level of compensation.
2. The compensation paid to salesmen of the small southern firms is much lower than that paid by the larger southern companies.
3. Wide differences were found to exist between types of southern companies in the compensation paid to their salesmen.
4. A lower per cent of the southern firms, as opposed to national concerns, use compensation plans which include the incentive element.
5. A much higher per cent of the southern firms than the national firms offer salesmen selected fringe benefits.

RECOMMENDATIONS

It is recognized in this study that no compensation plan will take the place of good sales management. Sales managers cannot and ought not to expect a compensation plan for salesmen to be a substitute for wise and aggressive sales leadership—leadership which merges financial rewards and the intangible satisfactions that give broad social importance to selling in a democracy.

Several recommendations that can be made as a result of the findings of the survey and which may prove useful are as follows:

1. The average or median compensation paid to beginning and experienced salesmen by the southern firms is comparatively high; however, there is still a need for the individual sales manager to review the compensation level paid to his salesmen to determine if that level is competitive with similar types of firms and salesmen.

2. The majority of the small companies use straight salary to compensate their salesmen, while most of the larger concerns use compensation plans containing the incentive element. Sales managers of small southern firms should review various incentive plans and determine which plan would produce the size of earnings needed to attract and hold men with the required qualifications.

3. There has been a marked national trend toward combinations of salary and incentive pay. Reflecting the need for more incentive in selling and, at the same time, salesmen's desire for a measure of stability in earnings, the use of combinations of fixed income and incentive compensation has been increasing while straight salary plans and straight commission plans have been becoming fewer. Salary and incentive plans are newer and have not been in effect as long as have salary plans and commission plans.

Southern sales managers should recognize the trend toward incentive pay, should determine the level of the fixed salary or earnings element, and then make provision for periodical review and revision if salary and commission plans or salary and bonus plans are employed.

4. An important part of the salesman's compensation is the fringe benefits he receives from his employer. The demand for salesmen exceeds the supply of young people entering this field. It would be advisable for sales managers to publicize the fringe benefits offered by their companies when recruiting salesmen, since southern firms provide many such benefits.

PROFESSIONAL TRAINING FOR CAREERS IN BUSINESS

(Continued from page 4)

stabilizing employment, maintaining harmonious labor-management relations, elevating the productivity of low-income groups, and developing a wise international economic policy remain to be solved, asks for the education of men "who can direct economic affairs and simultaneously contribute to the mastery of these pervasive problems of modern industrial life."³⁴

Even more significant is the large number of business leaders who, within the past decade, have placed themselves on record in favor of a broad training for careers in business. In their many speeches and articles there seems to be a general agreement with the sentiment of Irving Olds, former chairman of the Board of United States Steel,

34. Robert D. Calkins, "Aims of Business Education," in *Education For Professional Responsibility* (Pittsburg, 1948), p. 51.

that "The most difficult problems American enterprise faces today are neither scientific nor technical, but lie chiefly in the realm of what is embraced in a liberal arts education."³⁵

They emphasize the disadvantages of an excessively narrow education for those who hope to attain an executive position. A former president of the New Jersey Telephone Company asserts concisely that "The higher the positions in the line of authority, the more general the abilities required."³⁶ John L. McCaffrey, president of International Harvester Company, believes that the overspecialized individual "tends to judge good and evil, right and wrong, by the sole standard of his own specialty," and this narrowness of view tends to place a roadblock ahead of the specialist after he attains a certain level.³⁷

Business leaders contend that broad, general training in the liberal arts and social sciences is increasingly necessary in that management in the large corporation must know how to maintain harmonious relations with the labor force, consumers, stockholders, and government and must, in addition, fuse the efforts of a multitude of white-collar specialists into a smooth functioning machine. He must, in a word, epitomize the characteristics of David Riesman's "other-directed personality." This calls for an ability to solve the problems that the very success in the application of technology has created. These are human problems, "problems in understanding the desires and motives of individuals, and groups of individuals. They are problems that call for philosophical and diplomatic skills, for skills in grasping and communicating ideas. Above all they are problems that call for perspective—the ability to relate what is happening today to a historical pattern and to the shape of things to come."³⁸

Fowler McCormick, board chairman of International Harvester Company, underlines the kind of administrator the new situation demands. "It takes more than just business ability to make an executive," he contends. "Once a company reaches a certain size it becomes a social institution with a definite responsibility. It cannot fulfill this responsibility unless it is operated by a management educated for this task."³⁹

Business leaders propose various types of training to produce the desired qualities in future executives. Some stress the need for men with a liberal arts background or with "merely enough specialization to get his foot in the employment door."⁴⁰ They ask for individuals who can write and speak lucidly, think logically, handle mathematical ma-

35. Quoted in Newcomer, *op. cit.*, p. 67.

36. Chester I. Bernard, quoted in *ibid.*, p. 21.

37. Taylor, "Are Business Schools Meeting the Challenge?" *op. cit.*, p. 1; cf. Myles L. Mace, *The Growth and Development of Executives* (Boston, 1950), p. 9.

38. David A. Shepard, member of the board of directors of Standard Oil Company, New Jersey, *Liberal Education in an Industrial Society* (n. p., 1957), p. 5.

39. Quoted in Warner and Abegglen, *op. cit.*, pp. 56-57.

40. Clarence W. Walton, "Rebuilding a Business Curriculum," *Collegiate News and Views*, X (May, 1957), 3; cf. statement by Harry A. Billis, board chairman of General Mills, quoted in Newcomer, *op. cit.*, p. 67.

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terial competently, and possess a good command of cultural and economic knowledge.

Others are somewhat more realistic in their prescription. James J. Nance, top executive in the automotive industry, frankly asserts that it is foolish to deny the tremendous need and high market value for those with specialized training and that anyone seeking a career in business should as a matter of course develop certain specialized skills. He is constrained to add, however, that "as between the narrow, highly specialized individual and the broadgauged person who has learned how to be at home in a number of different disciplines, who is flexible and knows how to learn what he needs to learn, the second man will generally come out ahead in the long run, even though he may start at a disadvantage."⁴¹

But while an increasing number of business leaders concede that in-service training can supply the specialized knowledge required and that extensive exposure to the principles and fundamentals underlying business activity and to the humanities, sociology, psychology, history, and economics will prepare the student for upward mobility in the business world, personnel officers continue to pursue a diametrically opposite course. In the words of one top executive, now a dean: "Company recruiters march off to colleges with requisitions for men written out like orders for steel."⁴² The specifications are for graduates trained in marketing, en-

gineering, accounting and the like; the liberal arts majors and generalists are given short shrift.⁴³

This dichotomy, which has caused some doubts concerning the sincerity of the spokesmen for business, is quite understandable. It is a manifestation of a natural divergence between the long-range viewpoint of top management and the immediate requirements of the lower echelon staff trying to fill specific openings. While large corporations could hire more liberal arts majors and are doing so, it would seem that the best approach lies in the continued liberalization of the curriculum of the business schools, the institutions to which more and more of those who hope for a career in business are turning. The solution may lie in such programs as the one recently inaugurated by Northwestern University's School of Commerce which is "directed toward providing all undergrads with a liberal education in the arts and sciences and in business plus specialization in a field of business."⁴⁴ The extent to which it, and other like-minded institutions, will succeed in this endeavor will depend, in the last analysis, upon the extent to which its objectives are understood and its program accepted by the business community and the student body it serves.

43. See Newcomer, *op. cit.*, p. 67.

44. Dean Richard Donham, quoted in Northwestern University Alumni Bulletin, *op. cit.*

This ideal infuses the program of the School of Business Administration at Georgia State College. With the first two years confined largely to the liberal arts, the mandatory requirement of a course in American Economic Development, a required junior core in the fundamentals of management, marketing, statistics, business law, and money and banking, a heavy dosage of the principles of economics and twenty hours of electives which many advisors urge be taken in the broadening areas of the humanities and liberal arts, this principal training institution for the future business leaders of the Southeast is attempting to utilize its undergraduate program for educating the whole man.

41. James J. Nance, "... to whom much is given ..." Commencement Address delivered at St. Lawrence University, New York, June 9, 1957.

42. Quoted in Norton-Taylor, "The Business Schools: Pass or Flunk?" *op. cit.*, p. 245.